



EXECUTIVE CHAMBERS

HONOLULU

LINDA LINGLE
GOVERNOR

July 12, 2006

The Honorable Robert Bunda, President
and Members of the Senate
Twenty-Third State Legislature
State Capitol, Room 003
Honolulu, Hawaii 96813

Dear Mr. President and Members of the Senate:

Re: Senate Bill 3270 SD2 HD1 CD1:

On July 11, 2006, Senate Bill No. 3270, entitled "A Bill for an Act Relating to Public Health" became law without my signature, pursuant to Section 16 of Article III of the Constitution of the State of Hawaii.

Senate Bill No. 3270 guarantees a payment methodology to federally qualified health centers and rural health clinics in accordance with the Social Security Act and appropriates \$2,000,000 for the Department of Health to provide resources to nonprofit, community-based health care providers for direct medical care for the uninsured.

The Department of Human Services' Med-QUEST Division has been working with the federally qualified health centers (FQHCs), rural health clinics, and the Hawaii Primary Care Association in good faith to review the current rules regarding the Prospective Payment System (PPS) methodology, which gives the highest cost reimbursement payments to these particular Medicaid providers. This bill is similar to a bill that was vetoed last year that would have required continued payment under PPS cost reimbursement.

The Administration has concerns that if the federal law which requires the PPS reimbursement methodology is changed or eliminated, or if there is a change or reduction in the federal matching funds Hawaii receives for PPS, codifying the payment into State statute will obligate the State to future funding commitments.

This bill also provides a one-time payment to FQHCs and rural health clinics of \$2 million. However, the bill fails to identify what will happen to FQHCs and clinics after the fiscal year is over.

FQHCs are an important component to Hawaii's health care safety net of service providers, especially in our rural communities. The majority of patients served at FQHCs are

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patients covered by federal or State health insurance programs or who may not have current health insurance.

For the foregoing reasons, I allowed Senate Bill SB3270 to become law as Act 297 effective July 11, 2006 without my signature.

Sincerely,

A handwritten signature in black ink, appearing to read 'L. Lingle', with a stylized, cursive script.

LINDA LINGLE